

**CITY OF STORM LAKE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009**

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CITY OF STORM LAKE
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jon Kruse	Mayor	January 2010
James Treat	Mayor Pro Tem	January 2010
David Walker	Council Member	January 2010
Steven O'Bannon	Council Member	January 2012
Sara Monroy-Huddleston	Council Member	January 2012
Julie Egland (by appointment)	Council Member	December 2009

Appointed Officials

Patti Moore	City Administrator	Indefinite
Justin Yarosevich	City Clerk	Indefinite
Paul Havens	City Attorney	Indefinite

WINTHER, STAVE & Co., LLP
Certified Public Accountants

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Spencer, Iowa 51301-0175
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Storm Lake
Storm Lake, IA 50588

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Storm Lake, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Storm Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Storm Lake at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2010 on our consideration of the City of Storm Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 47 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Storm Lake's basic financial statements. The financial statements for the eight years ended June 30, 2008 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the second paragraph of this report, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wenther, Stone & Co. LLP

March 9, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Storm Lake provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 Financial Highlights

- Total revenue for the City increased 11.7%, or approximately \$1,855,000, from fiscal year 2008 to fiscal year 2009. Most of this increase was due to the \$900,000 grant for dredging that was receipted into City funds and then paid to the Lake Improvements Commission, an anonymous donation for the Community Service Officer program, federal grants, and increases in Tax Increment Financing, Hotel/Motel, and Local Option Sales Tax revenue. Property tax revenue increased by approximately \$28,000.
- Total program expenses increased 14.7%, or approximately \$2,466,000, from fiscal year 2008 to fiscal year 2009. This was due in large part to the \$900,000 that was paid to the Lake Improvements Commission for the grant funds, various capital projects that were completed and increased expenses at the hotel. Projects completed include West Lakeshore Drive, Airport Parking Lot, Lighthouse, and Great Lawn.
- The City's net assets decreased 3.8%, or approximately \$1,570,000, from June 30, 2008 to June 30, 2009. Of this amount, the net assets of the governmental activities increased by approximately \$380,000 and the net assets of the business-type activities decreased by approximately \$1,950,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Reporting The City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities reports information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property and other taxes and state and federal grants finance most of these activities.
- Business-type activities include the waterworks, the sanitary sewer system, storm water, King's Pointe, and the City's sanitation department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as tax increment financing revenue, local options sales tax, and employee benefits tax levy, (c) the Debt Service Fund, and (d) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures, and changes in fund balances.

- Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the services they provide. Proprietary funds are reported in the same way as a business and all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise funds include the waterworks, wastewater, storm water, King's Pointe, and sanitation funds. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental and business-type activities.

	Net Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets ..	\$ 9,988,941	\$ 9,900,918	\$ 5,938,299	\$ 6,064,323	\$15,927,240	\$15,965,241
Capital assets	<u>21,904,193</u>	<u>21,661,733</u>	<u>34,330,727</u>	<u>36,111,982</u>	<u>56,234,920</u>	<u>57,773,715</u>
Total assets	<u>31,893,134</u>	<u>31,562,651</u>	<u>40,269,026</u>	<u>42,176,305</u>	<u>72,162,160</u>	<u>73,738,956</u>
Long-term liabilities	18,650,000	19,095,000	6,922,000	7,302,865	25,572,000	26,397,865
Other liabilities	<u>4,875,964</u>	<u>4,480,217</u>	<u>1,470,354</u>	<u>1,047,214</u>	<u>6,346,318</u>	<u>5,527,431</u>
Total liabilities	<u>23,525,964</u>	<u>23,575,217</u>	<u>8,392,354</u>	<u>8,350,079</u>	<u>31,918,318</u>	<u>31,925,296</u>
Net assets:						
Invested in capital assets -						
net of related debt	2,809,193	2,161,733	27,030,727	28,485,506	29,839,920	30,647,239
Restricted	3,719,482	20,845	8,178	1,180,510	3,727,660	1,201,355
Unrestricted	<u>1,838,495</u>	<u>5,804,856</u>	<u>4,837,767</u>	<u>4,160,210</u>	<u>6,676,262</u>	<u>9,965,066</u>
Total net assets	<u>\$ 8,367,170</u>	<u>\$ 7,987,434</u>	<u>\$31,876,672</u>	<u>\$33,826,226</u>	<u>\$40,243,842</u>	<u>\$41,813,660</u>

Total net assets decreased from 2008 to 2009 by \$1,569,818 or 3.8%. The largest portion of the City's net assets are invested in capital assets (e.g. land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements.

Changes in Net Assets for the Year Ended June 30.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Revenue</u>						
Program Revenue:						
Charges for service	\$1,594,345	\$1,591,336	\$ 8,534,782	\$ 7,324,579	\$10,129,127	\$ 8,915,915
Operating grants, contributions, and restricted interest	2,426,181	1,030,784		1,199,608	2,426,181	2,230,392
Capital grants, contributions, and restricted interest	152,310	209,303			152,310	209,303
General Revenue:						
Property tax levied for:						
General purposes	1,920,874	1,777,335			1,920,874	1,777,335
Employee benefits	633,609	735,589			633,609	735,589
Debt service	273,115	286,913			273,115	286,913
Tax increment financing .	281,010	129,377			281,010	129,377
Other taxes	1,337,503	1,209,525			1,337,503	1,209,525
Unrestricted investment earnings	158,778	199,006	144,831	226,168	303,609	425,174
Miscellaneous	338,103	49,027		16,460	338,103	65,487
Gain on sale of property .		34,020				34,020
Transfers	<u>227,929</u>	<u>27,984</u>	<u>(346,336)</u>	<u>(224,901)</u>	<u>(118,407)</u>	<u>(196,917)</u>
Total Revenue	<u>9,343,757</u>	<u>7,280,199</u>	<u>8,333,277</u>	<u>8,541,914</u>	<u>17,677,034</u>	<u>15,822,113</u>
<u>Program Expenses</u>						
Public safety	2,264,478	2,212,478			2,264,478	2,212,478
Public works	1,527,753	1,460,577			1,527,753	1,460,577
Health and social services	9,796	14,221			9,796	14,221
Culture and recreation	1,870,147	1,879,222			1,870,147	1,879,222
Community and economic development	1,904,128	348,970			1,904,128	348,970
General government	442,922	399,703			442,922	399,703
Capital projects	8,267	198,548			8,267	198,548
Interest on long-term debt	936,530	963,082			936,530	963,082
Water			2,711,129	2,478,861	2,711,129	2,478,861
Wastewater			2,007,319	1,695,780	2,007,319	1,695,780
Landfill			416,879	401,532	416,879	401,532
Storm water			222,162	161,785	222,162	161,785
King's Pointe			<u>4,925,342</u>	<u>4,565,876</u>	<u>4,925,342</u>	<u>4,565,876</u>
Total Expenses	<u>8,964,021</u>	<u>7,476,801</u>	<u>10,282,831</u>	<u>9,303,834</u>	<u>19,246,852</u>	<u>16,780,635</u>
Change in net assets	379,736	(196,602)	(1,949,554)	(761,920)	(1,569,818)	(958,522)
Net assets - beginning of year	<u>7,987,434</u>	<u>8,184,036</u>	<u>33,826,226</u>	<u>34,588,146</u>	<u>41,813,660</u>	<u>42,772,182</u>
Net Assets - End of Year	<u>\$8,367,170</u>	<u>\$7,987,434</u>	<u>\$31,876,672</u>	<u>\$33,826,226</u>	<u>\$40,243,842</u>	<u>\$41,813,660</u>

The City's net assets of governmental activities increased approximately \$380,000 during the year. Revenues for governmental activities increased approximately \$2,060,000 over the prior year, with operating grants, contributions and restricted interest increasing approximately \$1,400,000 due to grants received for lake dredging and construction projects. The City decreased property tax rates for fiscal 2009 approximately 7%. The increase in the City's property tax revenue in fiscal 2009 is due to the equalization order that increased property values 18% from 2007.

The cost of all governmental activities this year was approximately \$9.0 million compared to approximately \$7.5 million last year. However, as shown in the Statement of Activities on pages 13 and 14, the amount taxpayers ultimately financed for these activities was only \$4.8 million because some of the cost was paid by those directly benefited from the programs (\$1.6 million)

or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.6 million). The City paid for the remaining \$4.8 million "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

The City's net assets of business-type activities decreased approximately \$1,950,000 during the year. Revenues for business-type activities decreased approximately \$210,000 from the prior year while total expenses were approximately \$980,000 higher than the prior year.

Individual Major Fund Analysis

Governmental Fund Highlights

As the City of Storm Lake completed the year, its governmental funds reported a combined fund balance of \$4,713,070, a decrease of \$104,002 from last year's total of \$4,817,072. The changes in fund balances of the major governmental funds from the prior year are described below.

The General Fund reported a decrease of \$41,679 in fund balance from the prior year to \$1,024,131. The Capital Projects fund balance decreased by \$520,706 from the prior year to \$1,269,383. The Local Option Sales Tax fund balance increased by \$363,427 from the prior year to \$1,030,880. The other major fund balances increased by \$3,521 from the prior year to \$686,970.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended 2009 with a \$5,703,023 net asset balance compared to the prior year ending net asset balance of \$5,905,132.

The Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended 2009 with a \$5,378,192 net asset balance compared to the prior year ending net assets balance of \$5,663,153.

The King's Pointe Fund, which accounts for the operation and maintenance of King's Pointe Resort, ended 2009 with a \$19,644,925 net asset balance compared to the prior year ending net asset balance of \$21,062,686.

The other major proprietary funds ended 2009 with a \$1,150,532 net asset balance compared to the prior year ending net assets balance of \$1,194,255.

The Internal Service Funds are used by management to charge the cost of employee health benefits, technology purchases, and fleet purchases to the individual funds. The net assets of the Internal Service Fund decreased by \$34,540 to \$811,239.

Budgetary Highlights

Over the course of the year, the City amended its budget once in May of 2009. The amendment was needed to cover additional expenditures primarily within the community and economic development and capital projects functions.

The City's cash basis receipts were approximately \$1.9 million less than budgeted. However, total cash basis disbursements were \$4.3 million less than budgeted. Budgeted amounts were not exceeded for any function.

The combined tax levy for the City of Storm Lake in fiscal year 2009 decreased from \$13.7048 to \$12.72222 per thousand. The employee benefits levy decreased \$.74308 to cover costs related to the City's health insurance plan. The combined effect of the city's tax levy and the change in residential rollback on a \$100,000 home was a decrease of \$63 a year.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals, and other infrastructure. Capital assets for governmental activities totaled \$21,904,193 (net of accumulated depreciation) at June 30, 2009. Capital assets for business-type activities totaled \$34,330,727 (net of accumulated depreciation) at June 30, 2009. See Note 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included West Lakeshore Drive reconstruction and the Airport parking lot.

For business-type activities, major capital outlays included construction of the Wastewater Treatment Plant Rehab and the 13th Street Lift Station study.

Construction in progress at June 30, 2009 for governmental activities consists primarily of the 2009 Street Improvements Project, with a financial software upgrade also in progress.

Construction in progress at June 30, 2009 for business-type activities consists of Well #19 construction, 13th Street Lift Station study, and the West Water Tower Painting project.

Long-Term Debt

At June 30, 2009, the City had \$18,650,000 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$6,922,000 at June 30, 2009.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. At June 30, 2009, the City was at 73% of its constitutional debt limit of approximately \$19,423,000 with an outstanding balance of \$14,270,000. While the total general obligation debt outstanding exceeds this amount, certain general obligation bonds include annual appropriation terms. The annual appropriation amount is the principal and interest due in the next year, and only this amount is required to be included in the computation of the statutory debt limit.

Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

Economic Factors Bearing on the City's Future

Several factors affected decisions made by the City in setting its 2010 budget.

Storm Lake had several major construction projects taking place (i.e., Storm Lake Community School District new elementary building and the United Community Health Center facility). However, these new projects do not add to the tax base, and overall operating costs continue to rise.

There is potential for growth in the tax base due to property tax rebates ending and the new Fareway store that was constructed in the spring and summer of 2009. Hy-Vee also underwent a major expansion and remodeling that will help in the growth of the tax base.

The City has seen increased hotel/motel and local option sales tax revenue due to the completion and opening of King's Pointe Resort. Storm Lake continues to have a strong downtown area; therefore, more people are visiting and staying in Storm Lake.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the City Clerk, 620 Erie Street, City of Storm Lake, Iowa by phone 712-732-8000 or by email at Justin@stormlake.org.

BASIC FINANCIAL STATEMENTS

CITY OF STORM LAKE
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,495,493	\$ 4,688,865	\$10,184,358
Receivables:			
Property taxes:			
Current year delinquent - net of allowance for uncollectible taxes	36,158		36,158
Succeeding year	3,112,064		3,112,064
Tax increment financing:			
Current year delinquent - net of allowance for uncollectible taxes	6,138		6,138
Succeeding year	448,297		448,297
Customer accounts - net of allowance for uncollectible accounts		853,671	853,671
Accounts	41,746		41,746
Accrued interest	23,214	20,196	43,410
Due from other governments	275,419		275,419
Inventories and prepaids	208,366	229,009	437,375
Restricted assets:			
Cash and cash equivalents		74,321	74,321
Pledges receivable - net of allowance for uncollectible pledges	227,597		227,597
Unamortized loan fees		72,237	72,237
Unamortized bond issue costs	114,449		114,449
Capital assets - net of accumulated depreciation ..	<u>21,904,193</u>	<u>34,330,727</u>	<u>56,234,920</u>
 TOTAL ASSETS	 <u>\$31,893,134</u>	 <u>\$40,269,026</u>	 <u>\$72,162,160</u>

CITY OF STORM LAKE
STATEMENT OF NET ASSETS - Continued
JUNE 30, 2009

LIABILITIES AND NET ASSETS

	Governmental Activities	Business Type Activities	Total
LIABILITIES:			
Accounts payable	\$ 382,981	\$ 385,781	\$ 768,762
Accrued interest payable	77,558	18,315	95,873
Accrued wages and benefits	354,106	95,402	449,508
Accrued expenses	55,958	526,713	582,671
Payable from restricted assets		66,143	66,143
Deferred revenue:			
Succeeding year property taxes	3,112,064		3,112,064
Succeeding year tax increment financing	448,297		448,297
Non current liabilities:			
Due within one year	445,000	378,000	823,000
Due in more than one year	<u>18,650,000</u>	<u>6,922,000</u>	<u>25,572,000</u>
TOTAL LIABILITIES	<u>23,525,964</u>	<u>8,392,354</u>	<u>31,918,318</u>
NET ASSETS:			
Invested in capital assets - net of related debt ...	2,809,193	27,030,727	29,839,920
Restricted for:			
Roads	388,313		388,313
Local option sales tax	1,030,880		1,030,880
Debt service	31,287	8,178	39,465
Capital projects	1,269,383		1,269,383
Other purposes	999,619		999,619
Unrestricted	<u>1,838,495</u>	<u>4,837,767</u>	<u>6,676,262</u>
TOTAL NET ASSETS	<u>8,367,170</u>	<u>31,876,672</u>	<u>40,243,842</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$31,893,134</u>	 <u>\$40,269,026</u>	 <u>\$72,162,160</u>

CITY OF STORM LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
GOVERNMENTAL ACTIVITIES:				
Public safety	\$ 2,264,478	\$ 122,029		
Public works	1,527,753	310,162	\$ 836,501	
Health and social services	9,796			
Culture and recreation	1,870,147	798,539		
Community and economic development	1,904,128	62,478	1,589,680	\$152,310
General government	442,922	301,137		
Capital projects	8,267			
Interest on long-term debt	936,530			
TOTAL GOVERNMENTAL ACTIVITIES	<u>8,964,021</u>	<u>1,594,345</u>	<u>2,426,181</u>	<u>152,310</u>
BUSINESS-TYPE ACTIVITIES:				
Water	2,711,129	2,473,478		
Wastewater	2,007,319	1,699,630		
Lodge	4,925,342	3,786,525		
Other	639,041	575,149		
TOTAL BUSINESS-TYPE ACTIVITIES	<u>10,282,831</u>	<u>8,534,782</u>		
TOTAL	<u>\$19,246,852</u>	<u>\$10,129,127</u>	<u>\$2,426,181</u>	<u>\$152,310</u>
GENERAL REVENUES:				
Property and other city taxes levied for:				
General purposes				
Tax increment financing taxes				
Other taxes				
Unrestricted investment earnings				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES (USES)				
OTHER FINANCING SOURCES (USES):				
Transfers				
TOTAL OTHER FINANCING SOURCES (USES)				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING OF YEAR ..				
NET ASSETS - END OF YEAR				

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,142,449)		\$ (2,142,449)
(381,090)		(381,090)
(9,796)		(9,796)
(1,071,608)		(1,071,608)
(99,660)		(99,660)
(141,785)		(141,785)
(8,267)		(8,267)
<u>(936,530)</u>		<u>(936,530)</u>
<u>(4,791,185)</u>		<u>(4,791,185)</u>
	\$ (237,651)	(237,651)
	(307,689)	(307,689)
	(1,138,817)	(1,138,817)
	<u>(63,892)</u>	<u>(63,892)</u>
	<u>(1,748,049)</u>	<u>(1,748,049)</u>
<u>(4,791,185)</u>	<u>(1,748,049)</u>	<u>(6,539,234)</u>
2,827,598		2,827,598
281,010		281,010
1,337,503		1,337,503
158,778	144,831	303,609
<u>338,103</u>		<u>338,103</u>
<u>4,942,992</u>	<u>144,831</u>	<u>5,087,823</u>
<u>151,807</u>	<u>(1,603,218)</u>	<u>(1,451,411)</u>
<u>227,929</u>	<u>(346,336)</u>	<u>(118,407)</u>
<u>227,929</u>	<u>(346,336)</u>	<u>(118,407)</u>
379,736	(1,949,554)	(1,569,818)
<u>7,987,434</u>	<u>33,826,226</u>	<u>41,813,660</u>
<u>\$ 8,367,170</u>	<u>\$31,876,672</u>	<u>\$40,243,842</u>

CITY OF STORM LAKE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	ASSETS	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Special Levy
ASSETS:				
Cash and cash equivalents	\$1,139,746	\$342,852	\$ 893,112	\$105,479
Receivables - net of allowance for uncollectible amounts:				
Property taxes:				
Delinquent	23,028			8,133
Succeeding year	1,909,794			753,338
Tax increment financing:				
Current year delinquent				
Succeeding year				
Accounts	41,746			
Accrued interest	5,286		4,247	
Pledges				
Due from other governments	41,493	68,251	133,521	
Due from other funds	31,674			
Inventories	48,768	5,565		
Prepaid expenses				72,332
TOTAL ASSETS	<u>\$3,241,535</u>	<u>\$416,668</u>	<u>\$1,030,880</u>	<u>\$939,282</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 157,688	\$ 15,129		
Salaries and benefits payable	102,536	13,226		
Accrued liabilities	6,883			
Due to other funds	40,503			
Deferred revenue:				
Succeeding year property tax	1,909,794			\$753,338
Succeeding year tax increment financing				
Other				
TOTAL LIABILITIES	<u>2,217,404</u>	<u>28,355</u>		<u>753,338</u>
FUND BALANCES:				
Reserved for debt service				
Unreserved:				
Designated for outdoor waterpark replacement	30,543			
Undesignated reported in:				
General fund	993,588			
Special revenue funds		388,313	\$1,030,880	185,944
Capital projects fund				
Permanent fund				
TOTAL FUND BALANCES	<u>1,024,131</u>	<u>388,313</u>	<u>1,030,880</u>	<u>185,944</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$3,241,535</u>	<u>\$416,668</u>	<u>\$1,030,880</u>	<u>\$939,282</u>

EXHIBIT C

<u>Tax Increment Financing</u>	<u>Dredging</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
\$ 76,680	\$ (16,172)	\$ 27,607	\$1,420,079	\$662,021	\$4,651,404
		3,680		1,317	36,158
		315,294		133,638	3,112,064
6,138					6,138
448,297					448,297
					41,746
			10,961		20,494
			227,597		227,597
				32,154	275,419
					31,674
	20,660				74,993
	6,644			43,597	122,573
<u>\$531,115</u>	<u>\$ 11,132</u>	<u>\$346,581</u>	<u>\$1,658,637</u>	<u>\$872,727</u>	<u>\$9,048,557</u>
			\$ 166,657	\$ 37,383	\$ 376,857
	\$ 12,524				128,286
					6,883
					40,503
		\$315,294		133,638	3,112,064
\$448,297					448,297
			222,597		222,597
<u>448,297</u>	<u>12,524</u>	<u>315,294</u>	<u>389,254</u>	<u>171,021</u>	<u>4,335,487</u>
		31,287			31,287
					30,543
					993,588
82,818	(1,392)			698,953	2,385,516
			1,269,383		1,269,383
				2,753	2,753
<u>82,818</u>	<u>(1,392)</u>	<u>31,287</u>	<u>1,269,383</u>	<u>701,706</u>	<u>4,713,070</u>
<u>\$531,115</u>	<u>\$ 11,132</u>	<u>\$346,581</u>	<u>\$1,658,637</u>	<u>\$872,727</u>	<u>\$9,048,557</u>

See Notes to Financial Statements

CITY OF STORM LAKE
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

TOTAL GOVERNMENTAL FUND BALANCES PER EXHIBIT C \$ 4,713,070

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Certain receivables are not available financial resources and, therefore, are not
reported as assets in governmental funds. 222,597

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in governmental funds. 21,904,193

Bond issue costs are not available to pay current period expenditures and,
therefore, are deferred in the funds. 114,449

The Internal Service Fund is used by management to charge the cost of
employee health benefits and fleet purchases to the individual funds. The assets
of the Internal Service Fund are included in governmental activities in the
statement of net assets. 811,239

Long-term liabilities, including bonds payable, compensated absences, and
accrued interest are not due and payable in the current period and, therefore,
are not reported as liabilities in the governmental funds.

General obligation bonds payable (19,095,000)

Accrued interest payable (77,558)

Compensated absences (225,820)

NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A \$ 8,367,170

CITY OF STORM LAKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

		<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Special Levy</u>
REVENUES:				
Property tax	\$1,794,591			\$633,609
Tax increment financing				
Other city taxes	333,959		\$ 954,260	30,504
Intergovernmental	29,782	\$835,597		
Licenses and permits	163,747			
Charges for services	1,171,521			
Use of money and property	205,596		61,154	
Miscellaneous	128,488	25,551		40,778
TOTAL REVENUES	<u>3,827,684</u>	<u>861,148</u>	<u>1,015,414</u>	<u>704,891</u>
EXPENDITURES:				
Public safety	1,743,981			330,849
Public works	305,305	620,697		103,725
Health and social service	9,796			
Culture and recreation	1,291,543			118,195
Community and economic development ...	230,151			21,173
General government	196,877			31,362
Debt service				
Capital projects				
TOTAL EXPENDITURES	<u>3,777,653</u>	<u>620,697</u>		<u>605,304</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>50,031</u>	<u>240,451</u>	<u>1,015,414</u>	<u>99,587</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	141,278	17,699		
Operating transfers out	(232,988)	(263,298)	(651,987)	(118,407)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(91,710)</u>	<u>(245,599)</u>	<u>(651,987)</u>	<u>(118,407)</u>
NET CHANGE IN FUND BALANCES	(41,679)	(5,148)	363,427	(18,820)
FUND BALANCES - BEGINNING OF YEAR	<u>1,065,810</u>	<u>393,461</u>	<u>667,453</u>	<u>204,764</u>
FUND BALANCES - END OF YEAR	<u>\$1,024,131</u>	<u>\$388,313</u>	<u>\$1,030,880</u>	<u>\$185,944</u>

EXHIBIT E

<u>Tax Increment Financing</u>	<u>Dredging</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
\$281,009		\$ 273,115		\$ 126,283	\$2,827,598
		12,686		6,095	281,009
	\$1,067,385		\$ 184	569,534	1,337,504
					2,502,482
					163,747
					1,171,521
			59,625	14,093	340,468
			292,525	175,903	663,245
<u>281,009</u>	<u>1,067,385</u>	<u>285,801</u>	<u>352,334</u>	<u>891,908</u>	<u>9,287,574</u>
				17,489	2,092,319
					1,029,727
					9,796
				34,699	1,444,437
	1,078,939			573,865	1,904,128
				158,673	386,912
		1,342,923			1,342,923
			1,409,263		1,409,263
	<u>1,078,939</u>	<u>1,342,923</u>	<u>1,409,263</u>	<u>784,726</u>	<u>9,619,505</u>
<u>281,009</u>	<u>(11,554)</u>	<u>(1,057,122)</u>	<u>(1,056,929)</u>	<u>107,182</u>	<u>(331,931)</u>
		1,067,564	616,776	46,756	1,890,073
<u>(252,408)</u>			<u>(80,553)</u>	<u>(62,503)</u>	<u>(1,662,144)</u>
<u>(252,408)</u>		<u>1,067,564</u>	<u>536,223</u>	<u>(15,747)</u>	<u>227,929</u>
28,601	(11,554)	10,442	(520,706)	91,435	(104,002)
<u>54,217</u>	<u>10,162</u>	<u>20,845</u>	<u>1,790,089</u>	<u>610,271</u>	<u>4,817,072</u>
<u>\$ 82,818</u>	<u>\$ (1,392)</u>	<u>\$ 31,287</u>	<u>\$1,269,383</u>	<u>\$ 701,706</u>	<u>\$4,713,070</u>

CITY OF STORM LAKE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 PER EXHIBIT E \$ (104,002)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN
 THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$1,407,629	
Depreciation expense	<u>(1,165,169)</u>	
Net increase		242,460

Because some revenue will not be collected for several months after the City's year-end, it is not considered available revenue and has been deferred in the governmental funds with the change from the prior year amounts, as follows:

Contributions	(171,746)
---------------------	-----------

The Internal Service Fund is used by management to charge the cost of employee health benefits and fleet purchases to the individual funds. The change in net assets of the Internal Service Fund are included in governmental activities.	(34,540)
---	----------

Bond issue costs are capitalized and amortized on the statement of net assets but expensed in the governmental funds.	(6,633)
--	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	405,000
--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds with the change from the prior year amounts, as follows:

Compensated absences	47,804	
Interest on long-term debt	<u>1,393</u>	<u>49,197</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
 PER EXHIBIT B \$ 379,736

CITY OF STORM LAKE
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2009

ASSETS

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
ASSETS:			
Cash and cash equivalents	\$ 1,637,244	\$1,244,915	\$1,215,025
Receivables:			
Customer accounts and unbilled usage	279,607	191,008	309,288
Accrued interest	10,705	8,637	
Due from other funds	895,611	619,156	40,503
Inventories	29,166	1,185	42,093
Prepaid expenses	43,597	43,597	64,346
Restricted cash and cash equivalents	66,585	3,041	
Capital assets	8,869,415	4,055,337	20,415,363
Other assets	<u>55,938</u>	<u>6,524</u>	
 TOTAL ASSETS	 <u>\$11,887,868</u>	 <u>\$6,173,400</u>	 <u>\$22,086,618</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 33,030	\$ 145,952	\$ 202,710
Salaries and benefits payable	13,487	11,148	
Accrued liabilities			535,542
Customer deposits payable from restricted assets	66,143		
Due to other funds			1,703,441
Compensated absences	39,140	28,588	
Interest payable	15,045	1,520	
Revenue notes payable - short-term	324,000	25,000	
Revenue notes payable - long-term	5,694,000	583,000	
Deferred revenue:			
Other			
TOTAL LIABILITIES	<u>6,184,845</u>	<u>795,208</u>	<u>2,441,693</u>
NET ASSETS:			
Invested in capital assets - net of related debt ...	2,851,415	3,447,337	20,415,363
Restricted for:			
Revenue bonds retirement	442	3,041	
Unrestricted	<u>2,851,166</u>	<u>1,927,814</u>	<u>(770,438)</u>
TOTAL NET ASSETS	<u>5,703,023</u>	<u>5,378,192</u>	<u>19,644,925</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$11,887,868</u>	 <u>\$6,173,400</u>	 <u>\$22,086,618</u>

EXHIBIT G

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$205,939	\$ 385,742	\$ 4,688,865	\$ 844,089
40,906	32,862	853,671	
854		20,196	2,720
	157,000	1,712,270	
	5,025	77,469	10,800
		151,540	
	4,695	74,321	
	990,612	34,330,727	
	9,775	72,237	
<u>\$247,699</u>	<u>\$1,585,711</u>	<u>\$41,981,296</u>	<u>\$ 857,609</u>
\$ 2	\$ 4,087	\$ 385,781	\$ 6,124
810	2,229	27,674	
		535,542	
		66,143	
		1,703,441	
		67,728	
	1,750	18,315	
	29,000	378,000	
	645,000	6,922,000	
			40,246
<u>812</u>	<u>682,066</u>	<u>10,104,624</u>	<u>46,370</u>
	316,612	27,030,727	
	4,695	8,178	
<u>246,887</u>	<u>582,338</u>	<u>4,837,767</u>	<u>811,239</u>
<u>246,887</u>	<u>903,645</u>	<u>31,876,672</u>	<u>811,239</u>
<u>\$247,699</u>	<u>\$1,585,711</u>	<u>\$41,981,296</u>	<u>\$ 857,609</u>

CITY OF STORM LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
OPERATING REVENUES:			
Charges for service	\$2,435,202	\$1,675,211	
Miscellaneous	<u>38,276</u>	<u>24,419</u>	\$ 3,786,525
TOTAL OPERATING REVENUES	<u>2,473,478</u>	<u>1,699,630</u>	<u>3,786,525</u>
OPERATING EXPENSES:			
Business type activities:			
Cost of sales and services	1,833,433	1,487,909	4,145,413
Depreciation and amortization	672,756	501,357	742,539
Miscellaneous			<u>37,390</u>
TOTAL OPERATING EXPENSES	<u>2,506,189</u>	<u>1,989,266</u>	<u>4,925,342</u>
OPERATING INCOME (LOSS)	<u>(32,711)</u>	<u>(289,636)</u>	<u>(1,138,817)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	67,792	55,777	1,093
Interest expense	<u>(204,940)</u>	<u>(18,053)</u>	
NET NON-OPERATING REVENUES (EXPENSES)	<u>(137,148)</u>	<u>37,724</u>	<u>1,093</u>
DEFICIENCY OF REVENUES UNDER EXPENSES	<u>(169,859)</u>	<u>(251,912)</u>	<u>(1,137,724)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in			139,664
Operating transfers out	<u>(32,250)</u>	<u>(33,049)</u>	<u>(420,701)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(32,250)</u>	<u>(33,049)</u>	<u>(281,037)</u>
NET CHANGES IN FUND BALANCES	(202,109)	(284,961)	(1,418,761)
FUND BALANCES - BEGINNING OF YEAR	<u>5,905,132</u>	<u>5,663,153</u>	<u>21,063,686</u>
FUND BALANCES - END OF YEAR	<u>\$5,703,023</u>	<u>\$5,378,192</u>	<u>\$19,644,925</u>

EXHIBIT H

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$370,972	\$ 202,294	\$ 4,683,679	\$ 818,843
343	1,540	3,851,103	61,713
<u>371,315</u>	<u>203,834</u>	<u>8,534,782</u>	<u>880,556</u>
416,648	164,458	8,047,861	940,162
231	55,949	1,972,832	
		37,390	
<u>416,879</u>	<u>220,407</u>	<u>10,058,083</u>	<u>940,162</u>
<u>(45,564)</u>	<u>(16,573)</u>	<u>(1,523,301)</u>	<u>(59,606)</u>
5,419	14,750	144,831	25,066
	(1,755)	(224,748)	
<u>5,419</u>	<u>12,995</u>	<u>(79,917)</u>	<u>25,066</u>
<u>(40,145)</u>	<u>(3,578)</u>	<u>(1,603,218)</u>	<u>(34,540)</u>
		139,664	
		(486,000)	
		(346,336)	
(40,145)	(3,578)	(1,949,554)	(34,540)
<u>287,032</u>	<u>907,223</u>	<u>33,826,226</u>	<u>845,779</u>
<u>\$246,887</u>	<u>\$ 903,645</u>	<u>\$31,876,672</u>	<u>\$ 811,239</u>

CITY OF STORM LAKE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$2,467,878	\$1,693,747	\$3,572,883
Receipts from operating funds			
Cash paid for personal services	(305,510)	(210,585)	
Cash paid to suppliers	<u>(1,515,802)</u>	<u>(1,191,876)</u>	<u>(3,889,327)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>646,566</u>	<u>291,286</u>	<u>(316,444)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to other funds	(127,861)	(258,218)	(420,131)
Advances from other funds			<u>617,444</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(127,861)</u>	<u>(258,218)</u>	<u>197,313</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(35,118)	(151,771)	
Grant proceeds			148,800
Proceeds from revenue bonds	2,772	32,752	
Repayment of revenue bonds	(314,000)	(25,000)	
Interest payments	<u>(205,725)</u>	<u>(18,278)</u>	
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(552,071)</u>	<u>(162,297)</u>	<u>148,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>63,612</u>	<u>52,275</u>	<u>1,093</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>63,612</u>	<u>52,275</u>	<u>1,093</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,246	(76,954)	30,762
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,673,583</u>	<u>1,324,910</u>	<u>1,184,263</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,703,829</u>	<u>\$1,247,956</u>	<u>\$1,215,025</u>

EXHIBIT I

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$370,139	\$ 203,229	\$8,307,876	\$ 880,556
(43,233)	(60,174)	(619,502)	
<u>(377,457)</u>	<u>(104,034)</u>	<u>(7,078,496)</u>	<u>(938,200)</u>
<u>(50,551)</u>	<u>39,021</u>	<u>609,878</u>	<u>(57,644)</u>
	(157,000)	(963,210)	
		<u>617,444</u>	
	<u>(157,000)</u>	<u>(345,766)</u>	
		(186,889)	
		148,800	
	5,000	40,524	
	(28,000)	(367,000)	
	<u>(1,755)</u>	<u>(225,758)</u>	
	<u>(24,755)</u>	<u>(590,323)</u>	
<u>5,419</u>	<u>16,774</u>	<u>139,173</u>	<u>25,066</u>
<u>5,419</u>	<u>16,774</u>	<u>139,173</u>	<u>25,066</u>
(45,132)	(125,960)	(187,038)	(32,578)
<u>251,071</u>	<u>516,397</u>	<u>4,950,224</u>	<u>876,667</u>
<u>\$205,939</u>	<u>\$ 390,437</u>	<u>\$4,763,186</u>	<u>\$ 844,089</u>

CITY OF STORM LAKE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (32,711)	\$ (289,636)	\$(1,138,817)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	669,006	500,994	742,539
Amortization	3,750	363	
(Increase) decrease in accounts receivable and unbilled usage	(16,558)	(5,883)	(213,642)
(Increase) decrease in inventories	2,122	1,100	(12,513)
(Increase) decrease in prepaid expenses	13,023	11,357	7,118
Increase (decrease) in accounts payable	(5,823)	78,079	(73,334)
Increase in salaries and benefits payable	1,844	1,527	
Increase in incurred and unpaid claims			
Increase accrued expenses			372,205
Increase in customer deposits	10,958		
Increase (decrease) in compensated absences	<u>955</u>	<u>(6,615)</u>	<u> </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 646,566</u>	<u>\$ 291,286</u>	<u>\$ (316,444)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS			
Cash and cash equivalents	\$1,637,244	\$1,244,915	\$1,215,025
Restricted cash and cash equivalents	<u>66,585</u>	<u>3,041</u>	<u> </u>
	<u>\$1,703,829</u>	<u>\$1,247,956</u>	<u>\$1,215,025</u>

EXHIBIT I

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ (45,564)	\$ (16,573)	\$(1,523,301)	\$ (59,606)
231	55,374	1,968,144	
	575	4,688	
(1,176)	(605)	(237,864)	
	(3,880)	(13,171)	(4,380)
101	1,193	32,792	
(82)	3,213	2,053	4,546
(772)	(131)	2,468	
			1,796
		372,205	
		10,958	
<u>(3,289)</u>	<u>(145)</u>	<u>(9,094)</u>	<u> </u>
<u>\$ (50,551)</u>	<u>\$ 39,021</u>	<u>\$ 609,878</u>	<u>\$ 57,644</u>
\$205,939	\$ 385,742	\$4,688,865	\$ 844,089
<u> </u>	<u>4,695</u>	<u>74,321</u>	<u> </u>
<u>\$205,939</u>	<u>\$ 390,437</u>	<u>\$4,763,186</u>	<u>\$ 844,089</u>

CITY OF STORM LAKE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

ASSETS

	<u>Pension Trust</u>	<u>Agency Lake Improvement Commission</u>
	<u>Police/Fire</u>	
ASSETS:		
Cash and cash equivalents		\$2,204,241
Interest receivable	_____	<u>13,449</u>
 TOTAL ASSETS	 \$ _____	 <u>\$2,217,690</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable		\$ 58,104
Due to other governments	_____	<u>2,159,586</u>
TOTAL LIABILITIES		<u>2,217,690</u>
 NET ASSETS:		
Reserved for pensions	_____	_____
 TOTAL LIABILITIES AND NET ASSETS	 \$ _____	 <u>\$2,217,690</u>

CITY OF STORM LAKE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Pension Trust</u>
	<u>Police/Fire</u>
ADDITIONS:	
Transfers in	\$118,407
DEDUCTIONS:	
Public safety	<u>141,525</u>
CHANGE IN NET ASSETS	(23,118)
NET ASSETS - BEGINNING OF YEAR	<u>23,118</u>
NET ASSETS - END OF YEAR	<u>\$</u>

CITY OF STORM LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Storm Lake, Iowa is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Storm Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, storm water, and landfill utilities for its citizens and owns and operates a hotel and indoor water park.

The financial statements of the City of Storm Lake have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units that need to be included in these financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax revenue and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The *Road Use Tax Fund* is used to account for taxes received from the state to be used for road construction and maintenance.

The *Local Option Sales Tax Fund* is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment, and community programs and services.

The *Special Levy Fund* is used to account for property tax levied to finance the payment of employee benefits.

The *Tax Increment Financing Fund* is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used for transfers to other funds to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The *Dredging Fund* is used to account for grant and other revenue used to offset costs of lake dredging.

The *Debt Service Fund* is used to account for the accumulation of financial resources for, and payment of, interest and principal on the City's general long-term debt.

The *Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital assets (other than those financed by proprietary fund types and special revenue funds).

The City reports the following major proprietary funds:

Enterprise:

The *Water Fund* accounts for the operation and maintenance of the City's water system.

The *Wastewater Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The *King's Pointe Fund* accounts for the construction and operation of a hotel facility.

The *Sanitation Fund* is used to account for the operation and maintenance of the City's solid waste collection system.

The *Storm Water Fund* is used to account for the operation and maintenance of the City's storm water system.

The City also reports the following additional proprietary fund:

The *Internal Service Funds* are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if it is collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenue (shared revenue, grants, and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets

available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Proprietary Funds is charges to customers for sales and services. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Agency funds report, under the accrual basis of accounting, any assets and liabilities. Since agency funds have no equity, they do not have a measurement focus.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements did not exceed amounts budgeted during the year ended June 30, 2009.

E. Cash and Cash Equivalents

The cash balances of most City funds are pooled and invested. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

F. Receivables and Payables

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2009 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2007 assessed property valuations, is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2008.

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants, and reimbursements from other governments.

G. Inventories and Prepaid Expenses

Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Prepaid expenses consist primarily of property and liability insurance payments paid in advance.

H. Restricted Assets

Certain of the City's funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets because their use is restricted by applicable bond covenants. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refunds to customers.

I. Interest Capitalized

Construction period interest for business-type activities is capitalized. For projects paid for with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year end. No amounts were capitalized in 2009.

J. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 and estimated useful lives in excess of two years.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20 - 40 years
Equipment and vehicles	5 - 20 years
Infrastructure	20 years

Under current accounting standards, the City is not required to, and the City has chosen not to, retroactively capitalize infrastructure assets. However, infrastructure projects since 2004 are properly included in the government-wide financial statements. Because the infrastructure assets constructed prior to 2004 have not been capitalized, the debt related to infrastructure assets causes the reporting of capital assets net of related debt in the statement of net assets to be lower than it would be if the infrastructure were capitalized.

K. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

L. Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and other receivables not collected within 60 days after year end. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

M. Long-term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net assets and the proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Fund Balance

In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. Subsequent Events

The City has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

On June 30, 2009, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$1,500,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

3. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2009 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 31,674	\$ 40,503
Proprietary Funds:		
Water	895,611	
Wastewater	619,156	
King's Pointe	40,503	1,703,441
Storm water	<u>157,000</u>	
 TOTAL	 <u>\$1,743,944</u>	 <u>\$1,743,944</u>

These balances result from interfund advances made to finance projects or enterprise operations. Repayments will be made as time deposits mature or enterprise operations become profitable.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 1,430,953			\$ 1,430,953
Construction in progress	<u>1,293,383</u>	<u>\$ 66,828</u>	<u>\$1,293,383</u>	<u>66,828</u>
Total capital assets not being depreciated	<u>2,724,336</u>	<u>66,828</u>	<u>1,293,383</u>	<u>1,497,781</u>
Capital assets being depreciated:				
Buildings	5,946,592			5,946,592
Improvements other than buildings .	12,059,411	1,426,777		13,486,188
Equipment and vehicles	4,091,518	533,020	37,954	4,586,584
Infrastructure, road network	<u>4,920,229</u>	<u>682,844</u>		<u>5,603,073</u>
Total capital assets being depreciated	<u>27,017,750</u>	<u>2,642,641</u>	<u>37,954</u>	<u>29,622,437</u>
Less accumulated depreciation for:				
Buildings	2,420,574	182,160		2,602,734
Improvements other than buildings .	2,792,134	411,011		3,203,145
Equipment and vehicles	2,374,016	291,845	29,317	2,636,544
Infrastructure, road network	<u>493,629</u>	<u>280,153</u>		<u>773,782</u>
Total accumulated depreciation	<u>8,080,353</u>	<u>1,165,169</u>	<u>29,317</u>	<u>9,216,205</u>
Net capital assets being depreciated	<u>18,937,397</u>	<u>1,477,472</u>	<u>8,637</u>	<u>20,406,232</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$21,661,733</u>	<u>\$1,544,300</u>	<u>\$1,302,020</u>	<u>\$21,904,013</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 9,200			\$ 9,200
Construction in progress	<u>682,430</u>	<u>\$ 186,889</u>	<u>\$ 682,430</u>	<u>186,889</u>
Total capital assets not being depreciated	<u>691,630</u>	<u>186,889</u>	<u>682,430</u>	<u>196,089</u>
Capital assets being depreciated:				
Buildings	29,703,166			29,703,166
Equipment and vehicles	2,585,809			2,585,809
Infrastructure, water and sewer network	<u>21,093,342</u>	<u>682,430</u>		<u>21,775,772</u>
Total capital assets being depreciated	<u>53,382,317</u>	<u>682,430</u>		<u>54,064,747</u>
Less accumulated depreciation for:				
Buildings	8,317,684	806,665		9,124,349
Equipment and vehicles	752,215	268,178		1,020,393
Infrastructure, water and sewer network	<u>8,892,066</u>	<u>893,301</u>		<u>9,785,367</u>
Total accumulated depreciation	<u>17,961,965</u>	<u>1,968,144</u>		<u>19,930,109</u>
Net capital assets being depreciated	<u>35,420,352</u>	<u>(1,285,714)</u>		<u>34,134,638</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$36,111,982</u>	<u>\$(1,098,825)</u>	<u>\$ 682,430</u>	<u>\$34,330,727</u>

Depreciation was charged by the City as follows for the year ended June 30, 2009:

Governmental Activities:	
Public safety	\$ 173,472
Public works	509,977
Culture and recreation	425,710
General government	<u>56,010</u>
Total Governmental Activities	<u>\$1,165,169</u>
Business Type Activities:	
Water	\$ 669,006
Wastewater	500,994
Storm water	55,374
Landfill	231
King's Pointe	<u>742,539</u>
Total Business Type Activities	<u>\$1,968,144</u>

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency levy	\$ 62,503
	Local option sales tax	11,200
	Proprietary:	
	Water	32,250
	Wastewater	33,049
	King's Pointe	<u>2,276</u>
		<u>141,278</u>
Special Revenue:		
Road use	Capital projects	<u>17,699</u>
Senior Center	Capital projects	<u>46,756</u>
Debt Service	General	100,510
	Special Revenue:	
	Tax increment financing	112,744
	Local option sales tax	419,787
	Capital projects	16,098
	Proprietary:	
	King's Pointe	<u>418,425</u>
		<u>1,067,564</u>
Capital Projects	General	132,478
	Special Revenue:	
	Road use	263,298
	Local option sales tax	<u>221,000</u>
		<u>616,776</u>

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Proprietary: King's Pointe	Special Revenue: Tax increment financing	\$ 139,664
Pension Trust: Policy/Fire	Special Revenue Special levy	118,407
		<u>\$2,148,144</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

6. LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2009:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
General obligation bonds/notes	\$19,500,000		\$405,000	\$19,095,000	\$445,000
Compensated absences	<u>273,624</u>	<u>\$225,820</u>	<u>273,624</u>	<u>225,820</u>	<u>225,820</u>
TOTALS	<u>\$19,773,624</u>	<u>\$225,820</u>	<u>\$678,624</u>	<u>\$19,320,820</u>	<u>\$670,820</u>
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds	\$ 7,626,476	\$ 40,524	\$367,000	\$ 7,300,000	\$378,000
Compensated absences	<u>76,823</u>	<u>67,728</u>	<u>76,823</u>	<u>67,728</u>	<u>67,728</u>
TOTALS	<u>\$ 7,703,299</u>	<u>\$108,252</u>	<u>\$443,823</u>	<u>\$ 7,367,728</u>	<u>\$445,728</u>

Annual debt service requirements to maturity for general obligation bonds/notes and revenue bonds at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities General Obligation Bonds/Notes</u>		<u>Business-Type Activities Revenue Bonds/Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 445,000	\$ 928,699	\$ 378,000	\$ 218,130	\$ 823,000	\$ 1,146,829
2011	650,000	910,200	389,000	207,660	1,039,000	1,117,860
2012	660,000	881,238	401,000	195,990	1,061,000	1,077,228
2013	725,000	851,969	413,000	183,960	1,138,000	1,035,929
2014	725,000	819,666	425,000	171,570	1,150,000	991,236
2015-2019	4,420,000	3,560,642	2,327,000	658,680	6,747,000	4,219,322
2020-2024	5,685,000	2,404,444	2,701,000	287,820	8,386,000	2,692,264
2025-2027	<u>5,785,000</u>	<u>514,115</u>	<u>266,000</u>	<u>16,140</u>	<u>6,051,000</u>	<u>530,255</u>
	19,095,000	10,870,973	7,300,000	1,939,950	26,395,000	12,810,923
Unamortized issue costs	<u>(114,449)</u>		<u>(72,237)</u>		<u>(186,686)</u>	
	<u>\$18,980,551</u>	<u>\$10,870,973</u>	<u>\$7,227,763</u>	<u>\$1,939,950</u>	<u>\$26,208,314</u>	<u>\$12,810,923</u>

General Obligation Bonds/Notes

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with substantially equal amounts of principal plus interest maturing each year. General obligation bond debt service related to the \$5,400,000 bond issue in 2006 is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation by the City Council is included in the computation of the statutory debt limit.

Details of general obligation bonds/notes payable at June 30, 2009 are as follows:

	<u>Year Issued</u>	<u>Issue Amount</u>	<u>Year Matures</u>	<u>Interest Rates</u>	<u>Annual Payments</u>	<u>Outstanding Balance</u>
Essential corp. purpose	2005	\$5,600,000	2025	3.75% - 4.25%	\$185,000 - \$435,000	\$ 5,060,000
Urban renewal	2006	6,000,000	2025	5.25% - 5.70%	130,000 - 390,000 ¹	6,000,000
Urban renewal	2006	5,400,000	2026	4.00% - 4.75%	205,000 - 385,000	4,825,000
Urban renewal	2007	2,945,000	2027	5.45% - 5.65%	5,000 - 100,000 ²	2,945,000
Capital loan notes	2008	325,000	2013	4.25% - 4.50%	55,000 - 75,000	<u>265,000</u>
Total						<u>\$19,095,000</u>

¹ One additional \$2,330,000 payment in 2025

² Payments begin in 2013. Additional annual payments of \$945,000 and \$1,215,000 in 2026 and 2027, respectively.

Revenue Bonds/Notes

The City issues bonds/notes where the government pledges income derived from the required or constructed assets to pay debt service. Details of revenue bonds/notes payable at June 30, 2009 are as follows:

	<u>Year Issued</u>	<u>Issue Amount</u>	<u>Year Matures</u>	<u>Interest Rates</u>	<u>Annual Payments</u>	<u>Outstanding Balance</u>
Water revenue	2003	\$7,500,000	2024	3.0%	\$324,000 - \$490,000	\$ 6,018,000
Storm water revenue	2006	729,000	2027	3.0%	29,000 - 48,000	674,000
Wastewater Revenue	2007	725,000	2027	3.0%	25,000 - 44,000	<u>608,000</u>
Total						<u>\$ 7,300,000</u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$7,500,000 in water revenue notes issued in August 2003. Proceeds from the notes provided financing for the construction of improvements to the water system. The notes are payable solely from water customer net revenues and are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 85 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$7,561,650. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$518,940 and \$640,045, respectively.

The City has pledged future wastewater customer receipts, net of specified operating disbursements, to repay \$725,000 in wastewater revenue notes issued in April 2007. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 25 percent of net receipts. The total principal and

interest remaining to be paid on the notes is \$796,910. For the current year, principal and interest paid and total customer net receipts were \$43,053 and \$211,721, respectively.

The City has pledged future stormwater customer receipts, net of specified operating disbursements, to repay \$729,000 in stormwater revenue notes issued in October 2006. Proceeds from the notes provided financing for the construction of improvements to the stormwater system. The notes are payable solely from stormwater customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 80 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$881,390. For the current year, principal and interest paid and total customer net receipts were \$29,755 and \$39,376, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2009, the City was in compliance with the revenue note provisions, except that minimum amounts were not maintained in certain sinking accounts.

7. JOINTLY GOVERNED ORGANIZATIONS

The City participates in a jointly governed organization agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and cities.

The City's ongoing financial interest in the jointly governed organization consists of the operation of the landfill and other solid waste collection and disposal operations. The City collects landfill fees as a part of its regular utility billings. The Commission then bills the City quarterly for its operations. This fee is computed for each municipality on a per capita basis. For the year ended June 30, 2009, this fee totaled \$342,584.

Copies of the Commission's financial statements are available from the City Clerk at the City of Alta, or from the State Auditor's Office.

The City participates in a jointly governed organization agreement with the Lake Improvements Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The financial information for the Commission is reflected as an agency fund in these financial statements. The purpose of the Commission is to finance and effect a continued dredging of Lake Storm Lake.

Copies of the Commission's financial statements are available from the City Clerk at City of Storm Lake, 620 Erie Street, Storm Lake, IA 50588 or from the State Auditor's Office.

The City also participates in several jointly governed organizations for which the City is not financially accountable, or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Emergency Management Commission, Buena Vista County Communications Commission, Joint E911 Service Board, Region V Drug Task Force, Storm Lake Chamber of Commerce, Storm Lake Area Development Corporation, Buena Vista County Foundation, Community Education, and Storm Lake Cemetery.

8. PENSION AND RETIREMENT BENEFITS

Municipal Fire and Police Retirement System

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Policy Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate based upon an actuarially determined normal contribution rate cannot be less than 17% of earnable compensation. Contribution rates are established by state statute. The City's contributions to the Plan for the years ended June 30, 2009, 2008, and 2007 were \$145,858, \$196,917, and \$192,085, respectively, which met the required minimum contribution requirement for each year.

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salary. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$112,051, \$98,532, and \$86,730, respectively, equal to the required contributions for each year.

ICMA Retirement Plan

The Public Safety Director, City Administrator, and City Community Development Director are covered under the nationwide retirement plan offered by the International City Manager's Association (ICMA). Contributions required by the employer are 12% of the annual salary for the Public Safety Director, \$8,000 less the City's IPERS contribution per year for the City Administrator, and \$2,000 per year for the City Community Development Director.

The City's responsibility is limited to payment of contributions required by the established rates. The employer's contribution paid by the City for the year ended June 30, 2009 totaled \$14,343.

9. COMMITMENTS

The City has entered into construction contracts totaling \$1,051,191 for street construction and utility improvement projects. As of June 30, 2009, costs of \$253,717 have been incurred on the projects. The remaining \$797,474 will be paid as work on the projects progresses.

The City has entered into an agreement for the operation and maintenance of the City's wastewater treatment facilities through June 2013, with the fee to be negotiated yearly. The fee for the year ending June 30, 2010 is \$59,033 per month.

The City has entered into an agreement for the operations and maintenance of the City's water and water treatment facilities through June 2013, with the fee to be negotiated yearly. The fee for the year ending June 30, 2010 is \$67,670.

The City has entered into an agreement for the management of the airport for the year ending June 30, 2010 for \$2,868 per month.

At June 30, 2009, the City had entered into agreements for the operation and maintenance of the City's King's Pointe Waterpark Resort and Outdoor Waterpark facilities through August 29, 2012 and June 21, 2012, respectively, with the base management fees to be negotiated yearly. In addition, the King's Pointe Waterpark Resort agreement contained terms whereby additional incentive management fees could be paid. As further described in Note 14, these agreements were terminated in July 2009.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Effective August 1, 1983, the City adopted a plan of self-insurance for employee's health benefits. Deposits are made to the Employee Health Benefit Fund, an internal service fund of the City, to pay employee claims. An excess coverage insurance policy covers individual claims over \$20,000, or total group claims exceeding 125% of expected claims.

An actuarial study of the adequacy of reserves, rates, and financial condition of the Employee Health Benefit Fund was performed for the plan year January 1, 2008 to December 31, 2008. The study included census of covered members as of December 31, 2008, a summary of aggregate and specific excess loss reinsurance coverage, monthly claim expense information, a summary of revenue and expenses and review of the plan document summary description.

Following is a financial analysis of the plan for the year ended June 30, 2009. Included in this analysis is an estimate of the amount needed at the end of the plan year for incurred but not paid claims.

Net assets - July 1, 2008	\$442,612
Contributions received	421,849
Interest earned	21,524
Other sources of revenue	<u>6,601</u>
	<u>892,586</u>
Claims paid	265,413
Aggregate stop-loss premiums and other charges	<u>149,696</u>
	<u>415,109</u>
Net assets - June 30, 2009	477,477
Reserved for estimated incurred but unpaid claims	<u>40,246</u>
Unreserved Funds	<u>\$437,231</u>

11. DEFERRED COMPENSATION

The City offers its employees deferred compensation plans as allowed by Internal Revenue Code Section 457. City employees are allowed to defer a portion of the current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

The City has adopted GASB Statement 32 and does not report the assets of the plans on its balance sheet.

12. CONDUIT DEBT OBLIGATIONS

To provide for the construction of additions to the library, dormitories, and a recreation facility at Buena Vista University, the City has issued a series of Higher Education Facilities Revenue Bonds. In addition, the City issued Elderly Housing Revenue Bonds for the construction of dietary and maintenance facilities and an addition of a 38-unit independent living facility at Methodist Manor Retirement Community. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received by the university and the care facility. The bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

A summary of conduit debt obligations is as follows:

	Originally <u>Issued</u>	Date of <u>Issue</u>	Balance Outstanding <u>June 30, 2009</u>
Higher Education Facilities Revenue Bonds ...	\$7,630,000	5-24-00	\$ 5,105,000
Elderly Housing Revenue Bonds	4,565,000	6-01-07	4,380,000
Elderly Housing Revenue Bonds	5,325,000	10-01-03	<u>4,800,000</u>
			<u>\$14,285,000</u>

13. LITIGATION

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. City officials believe the outcome of these matters will not have a material adverse effect on the City's financial statements.

14. SUBSEQUENT EVENTS

In July 2009, the City entered into a settlement agreement with Leisure Hotels, L.L.C. (Leisure) for the termination of contracts the City had entered into with Leisure for the management of the King's Pointe Resort and Waterpark (Lodge project). As part of the settlement, the City agreed to pay Leisure \$343,480 in consideration of Leisure's undertakings contained in the agreement.

Effective July 17, 2009, the City entered into a Facility Management Agreement with Kineth Hotel Corporation (Kineth) to manage the King's Pointe Waterpark Resort through June 30, 2011, with annual one-year renewals thereafter. A base management fee for the year ended June 30, 2010 will be paid at \$4,000 per month for five months of operation (July through September 2009 and May through June 2010).

Effective July 17, 2009, the City also entered into a Management Agreement with Kineth to manage the King's Pointe Resort through June 30, 2011, with annual one-year renewals thereafter. A management fee for the year ended June 30, 2010 will be paid at three percent of each month's gross revenues and twelve percent of the improvement in net available cash at June 30, 2010 compared to June 30, 2009.

Subsequent to June 30, 2009, the City entered into construction contracts for various improvement projects totaling approximately \$1,180,000.

In January 2010, the City authorized \$500,000 of general obligation anticipation notes to pay the costs of expansion and operation of the City's lodge project. The bonds are payable from a continuing annual levy of taxes against all taxable property of the City. However, the City intends to repay the notes with lodge project revenues. No amounts have been advanced on the anticipation notes.

In February 2010, the City issued \$2,500,000 general obligation capital loan notes to pay the costs of expansion and operation of the City's lodge project. The bonds are payable from a continuing annual levy of taxes against all taxable property of the City. However, the City intends to repay the notes with lodge project revenues.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STORM LAKE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:			
Property taxes	\$2,821,335		
Tax increment financing collections	275,496		
Other city taxes	1,410,192		
Licenses and permits	176,613		
Use of money and property	165,669	\$ 139,173	\$ 25,066
Intergovernmental	2,460,916		
Charges for services	1,311,601	4,670,417	818,843
Special assessments			
Miscellaneous	<u>532,969</u>	<u>3,826,785</u>	<u>61,713</u>
TOTAL RECEIPTS	<u>9,154,791</u>	<u>8,636,375</u>	<u>905,622</u>
DISBURSEMENTS:			
Public safety	2,095,227		324,847
Public works	1,044,120		207,751
Health and social services			
Culture and recreation	1,561,675		87,822
Community and economic development	1,888,159		12,276
General government	373,130		22,664
Debt service	1,352,911		
Capital projects	1,598,460		
Business-type activities.....		<u>8,136,666</u>	<u>288,964</u>
TOTAL DISBURSEMENTS	<u>9,913,682</u>	<u>8,136,666</u>	<u>944,324</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(758,891)	499,709	(38,702)
OTHER FINANCING SOURCES (USES)	<u>227,929</u>	<u>(346,336)</u>	
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	(530,962)	153,373	(38,702)
CASH BALANCES - BEGINNING OF YEAR	<u>4,787,297</u>	<u>4,950,224</u>	<u>876,667</u>
CASH BALANCES - END OF YEAR	<u>\$4,256,335</u>	<u>\$5,103,597</u>	<u>\$ 837,965</u>

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 2,821,335	\$ 2,822,964	\$ 2,822,964	\$ (1,629)
275,496	284,253	284,253	(8,757)
1,410,192	1,267,322	1,267,322	142,870
176,613	148,050	162,050	14,563
279,776	278,835	278,835	941
2,460,916	1,631,064	3,279,864	(818,948)
5,163,175	5,528,270	5,767,270	(604,095)
<u>4,298,041</u>	<u>4,765,644</u>	<u>4,975,644</u>	<u>(677,603)</u>
<u>16,885,544</u>	<u>16,726,402</u>	<u>18,838,202</u>	<u>(1,952,658)</u>
1,770,380	2,189,741	2,299,741	529,361
836,369	1,002,238	1,144,238	307,869
	10,000	10,000	10,000
1,473,853	1,451,160	1,557,160	83,307
1,875,883	477,034	2,009,034	133,151
350,466	334,341	396,341	45,875
1,352,911	1,352,811	1,352,911	
1,598,460	1,457,324	2,104,324	505,864
<u>7,847,702</u>	<u>10,557,868</u>	<u>10,557,868</u>	<u>2,710,166</u>
<u>17,106,024</u>	<u>18,832,517</u>	<u>21,431,617</u>	<u>4,325,593</u>
(220,480)	(2,106,115)	(2,593,415)	2,372,935
<u>(118,407)</u>	<u>960,000</u>	<u>(1,034,000)</u>	<u>915,593</u>
(338,887)	(1,146,115)	(3,627,415)	<u>\$3,288,528</u>
<u>8,860,854</u>	<u>9,966,225</u>	<u>9,966,225</u>	
<u>\$ 8,521,967</u>	<u>\$ 8,820,110</u>	<u>\$ 6,338,810</u>	

CITY OF STORM LAKE
SCHEDULE OF BUDGETARY COMPARISON- BUDGET TO GAAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
REVENUES	\$9,154,791	\$ 132,783	\$9,287,574
EXPENDITURES	<u>9,913,682</u>	<u>(294,177)</u>	<u>9,619,505</u>
NET	(758,891)	426,960	(331,931)
OTHER FINANCING SOURCES	227,929		227,929
BEGINNING FUND BALANCES	<u>4,787,297</u>	<u>29,775</u>	<u>4,817,072</u>
ENDING FUND BALANCES	<u>\$4,256,335</u>	<u>\$ 456,735</u>	<u>\$4,713,070</u>

	Proprietary Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
REVENUES	\$8,636,375	\$ 43,238	\$ 8,679,613
EXPENDITURES	<u>8,136,666</u>	<u>2,146,165</u>	<u>10,282,831</u>
NET	499,709	(2,102,927)	(1,603,218)
OTHER FINANCING USES	(346,336)		(346,336)
BEGINNING FUND BALANCES	<u>4,950,224</u>	<u>28,876,002</u>	<u>33,826,226</u>
ENDING FUND BALANCES	<u>\$5,103,597</u>	<u>\$26,773,075</u>	<u>\$31,876,672</u>

CITY OF STORM LAKE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2009

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities, and nonprogram. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, permanent fund, and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,599,100. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF STORM LAKE
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

ASSETS

	<u>Special Revenue Funds</u>			
	<u>Tort Insurance</u>	<u>Emergency Levy</u>	<u>Crime Prevention</u>	<u>Senior Center</u>
ASSETS:				
Cash and cash equivalents	\$339,251		\$ 24,871	\$ 46,248
Receivables:				
Property taxes:				
Current year delinquent	725	\$ 592		
Succeeding year	70,000	63,638		
Due from other governments				
Prepaid items	<u>43,597</u>	<u> </u>	<u> </u>	<u> </u>
 TOTAL ASSETS	 <u>\$453,573</u>	 <u>\$ 64,230</u>	 <u>\$ 24,871</u>	 <u>\$ 46,248</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 4,485		\$ 529	
Deferred revenue:				
Succeeding year property tax	<u>70,000</u>	<u>\$ 63,638</u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>74,485</u>	<u>63,638</u>	<u>529</u>	<u> </u>
 FUND BALANCES:				
Unreserved, undesignated, reported in:				
Special revenue funds	379,088	592	24,342	\$ 46,248
Permanent fund	<u>379,088</u>	<u>592</u>	<u>24,342</u>	<u>46,248</u>
TOTAL FUND BALANCES	<u>379,088</u>	<u>592</u>	<u>24,342</u>	<u>46,248</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$453,573</u>	 <u>\$ 64,230</u>	 <u>\$ 24,871</u>	 <u>\$ 46,248</u>

Schedule 1

			<u>Permanent</u>	
<u>Library Special Revenue</u>	<u>Expandable Gift Special Revenue</u>	<u>Law Enforcement</u>	<u>Emma Myers Trust</u>	<u>Total</u>
\$112,724	\$ 1,446	\$134,728	\$ 2,753	\$662,021
				1,317
				133,638
	32,154			32,154
				<u>43,597</u>
<u>\$112,724</u>	<u>\$ 33,600</u>	<u>\$134,728</u>	<u>\$ 2,753</u>	<u>\$872,727</u>
\$ 215	\$ 32,154			\$ 37,383
				<u>133,638</u>
<u>215</u>	<u>32,154</u>			<u>171,021</u>
112,509	1,446	\$134,728		698,953
			\$ 2,753	<u>2,753</u>
<u>112,509</u>	<u>1,446</u>	<u>134,728</u>	<u>2,753</u>	<u>701,706</u>
<u>\$112,724</u>	<u>\$ 33,600</u>	<u>\$134,728</u>	<u>\$ 2,753</u>	<u>\$872,727</u>

CITY OF STORM LAKE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Special Revenue Funds</u>			
	<u>Tort Insurance</u>	<u>Emergency Levy</u>	<u>Crime Prevention</u>	<u>Senior Center</u>
REVENUES:				
Property tax	\$ 66,659	\$ 59,624		
Other tax	3,216	2,879		
Intergovernmental				
Use of money and property	9,359		\$ 634	\$ 260
Miscellaneous	5,638		6,377	
TOTAL REVENUES	<u>84,872</u>	<u>62,503</u>	<u>7,011</u>	<u>260</u>
EXPENDITURES:				
Public safety			9,174	
Culture and recreation				1,418
Community and economic development				
General government	158,673			
TOTAL EXPENDITURES	<u>158,673</u>		<u>9,174</u>	<u>1,418</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(73,801)</u>	<u>62,503</u>	<u>(2,163)</u>	<u>(1,158)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in				46,756
Operating transfers out		(62,503)		
TOTAL OTHER FINANCING SOURCES (USES)		<u>(62,503)</u>		<u>46,756</u>
NET CHANGES IN FUND BALANCES	(73,801)		(2,163)	45,598
FUND BALANCES - BEGINNING OF YEAR	<u>452,889</u>	<u>592</u>	<u>26,505</u>	<u>650</u>
FUND BALANCES - END OF YEAR	<u>\$379,088</u>	<u>\$ 592</u>	<u>\$ 24,342</u>	<u>\$ 46,248</u>

Schedule 2

			<u>Permanent</u>	
<u>Library Special Revenue</u>	<u>Expandable Gift Special Revenue</u>	<u>Law Enforcement</u>	<u>Emma Myers Trust</u>	<u>Total</u>
				\$ 126,283
				6,095
\$ 4,769	\$564,765			569,534
3,638		\$ 67	\$ 135	14,093
18,789	4,804	140,295		175,903
<u>27,196</u>	<u>569,569</u>	<u>140,362</u>	<u>135</u>	<u>891,908</u>
		8,315		17,489
33,281				34,699
	573,865			573,865
				158,673
<u>33,281</u>	<u>573,865</u>	<u>8,315</u>		<u>784,726</u>
<u>(6,085)</u>	<u>(4,296)</u>	<u>132,047</u>	<u>135</u>	<u>107,182</u>
				46,756
				<u>(62,503)</u>
				<u>(15,747)</u>
(6,085)	(4,296)	132,047	135	91,435
<u>118,594</u>	<u>5,742</u>	<u>2,681</u>	<u>2,618</u>	<u>610,271</u>
<u>\$112,509</u>	<u>\$ 1,446</u>	<u>\$134,728</u>	<u>\$ 2,753</u>	<u>\$ 701,706</u>

CITY OF STORM LAKE
 SCHEDULE OF AND CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	Lake Improvement Commission			
	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
ASSETS:				
Cash and cash equivalents	\$1,743,435	\$1,232,189	\$771,383	\$2,204,241
Interest receivable	5,638	7,811		13,449
Prepaid expenses	<u>12,441</u>	<u> </u>	<u>12,441</u>	<u> </u>
 TOTAL ASSETS	 <u>\$1,761,514</u>	 <u>\$1,240,000</u>	 <u>\$783,824</u>	 <u>\$2,217,690</u>
 LIABILITIES:				
Accounts payable	\$ 129,636	\$ 58,104	\$129,636	\$ 58,104
Due to other governments	<u>1,631,878</u>	<u>1,181,896</u>	<u>654,188</u>	<u>2,159,586</u>
 TOTAL LIABILITIES	 <u>\$1,761,514</u>	 <u>\$1,240,000</u>	 <u>\$783,824</u>	 <u>\$2,217,690</u>

CITY OF STORM LAKE
SCHEDULE OF REVENUE BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUE:				
Property tax	\$2,827,598	\$2,799,837	\$ 2,669,623	\$2,625,565
Tax increment financing revenue ..	281,009	129,377	83,873	84,850
Other city taxes	1,337,504	1,209,525	1,352,178	1,132,590
Licenses and permits	163,747	256,198	182,624	109,485
Use of money and property	340,468	383,606	759,810	693,381
Intergovernmental	2,502,482	1,070,861	2,563,765	1,535,489
Charges for services	1,171,521	1,150,540	487,579	430,791
Special assessments				
Miscellaneous	<u>663,245</u>	<u>443,993</u>	<u>628,511</u>	<u>866,338</u>
 TOTAL REVENUES	 <u>\$9,287,574</u>	 <u>\$7,443,937</u>	 <u>\$ 8,727,963</u>	 <u>\$7,478,489</u>
 EXPENDITURES:				
Public safety	\$2,092,319	\$1,996,699	\$ 1,731,813	\$1,747,843
Public works	1,029,727	1,007,552	871,683	921,209
Health and social services	9,796	14,221	12,850	10,700
Culture and recreation	1,444,437	1,494,431	715,125	837,193
Community and economic development	1,904,128	348,970	351,232	336,781
General government	386,912	338,702	287,970	273,172
Debt service	1,342,923	1,293,896	1,207,354	570,555
Capital projects	<u>1,409,263</u>	<u>2,819,570</u>	<u>7,596,287</u>	<u>3,807,559</u>
 TOTAL EXPENDITURES	 <u>\$9,619,505</u>	 <u>\$9,314,041</u>	 <u>\$12,774,314</u>	 <u>\$8,505,012</u>

Schedule 4

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$2,369,578	\$2,201,582	\$2,143,224	\$2,067,635	\$2,063,576
36,460	33,264	31,544	30,661	30,175
1,076,883	1,113,416	961,224	830,486	743,679
100,288	142,724	97,694	127,029	96,113
298,777	445,652	184,277	312,140	421,797
2,059,008	1,476,894	1,291,763	2,093,900	1,561,390
472,177	464,140	372,442	358,163	345,797
1,343	50,142	21,963	22,513	22,601
<u>563,315</u>	<u>130,143</u>	<u>328,504</u>	<u>263,919</u>	<u>351,490</u>
<u>\$6,977,829</u>	<u>\$6,057,957</u>	<u>\$5,432,635</u>	<u>\$6,106,446</u>	<u>\$5,636,618</u>
\$1,741,482	\$1,640,085	\$1,720,395	\$1,633,205	\$1,565,691
947,440	819,776	812,980	716,976	738,310
9,034	15,700	15,700	10,000	10,000
829,871	837,515	826,506	718,526	776,700
365,144	408,725	330,421	517,937	116,408
278,934	268,705	242,472	329,345	254,725
361,282	456,073	355,951	386,814	557,564
<u>2,150,456</u>	<u>1,676,848</u>	<u>1,662,726</u>	<u>1,643,794</u>	<u>1,752,688</u>
<u>\$6,683,643</u>	<u>\$6,123,427</u>	<u>\$5,967,151</u>	<u>\$5,956,597</u>	<u>\$5,772,086</u>

CITY OF STORM LAKE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Airport improvement.....	20.106	AIP#3-19-0088-04	<u>\$152,432</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program	14.228	08-CF-018	569,199
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources		CS-192321-01	
Capitalization Grants for Drinking Water		CS-192345-01	
State Revolving Funds	66.468	FS-11-03-DWSRF-003	40,525
Environmental Policy and State Innovation Grants	66.606	08-7392-19	<u>7,500</u>
Total Indirect			<u>617,144</u>
 TOTAL			 <u>\$769,656</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of states, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Storm Lake
Storm Lake, IA 50588

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Storm Lake, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than

inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Storm Lake, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, reading "Wincher, Stone & Co LLP". The signature is written in a cursive, flowing style.

March 9, 2010

WINTHER, STAVE & Co., LLP
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and
Members of the City Council
City of Storm Lake
Storm Lake, IA 50588

We have audited the compliance of the City of Storm Lake, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Storm Lake complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City, and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Winther, Howard L." with a stylized flourish at the end.

March 9, 2010

CITY OF STORM LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City did not qualify as a low-risk auditee.

CITY OF STORM LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the General Purpose Financial Statements

Significant Deficiencies:

- II-A-09 Bank Reconciliations - During our audit, we found that bank reconciliations were not being properly agreed with the cash and investments reported in the general ledger. Additionally, outstanding items from the King's Pointe accounts were not properly reflected on the reconciliations.

Recommendation - We recommend that the bank reconciliations include all outstanding items and reconcile both cash and investments to the general ledger. Further the reconciliations should be reviewed by a member of management to ensure they are being properly completed.

Response - Management was aware of this issue and will properly reconcile with both the cash and investment balances in the general ledger.

Conclusion - Response accepted.

- II-B-09 Financial Statement Preparation - During our audit, we noted the City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in many organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply the accrual basis of accounting in preparing the financial statements and the related disclosures.

Recommendation - The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response - The City will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Conclusion - Response accepted.

- II-C-09 Recording of Interest Revenue - During our audit, we found that interest revenue was not consistently recorded in respective funds maintained in the general ledger.

Recommendation - We recommend that written procedures for the recording of interest income be reviewed and consistently applied.

Response - Management will clarify procedures to ensure proper recording of interest income.

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

CITY OF STORM LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No findings were noted.

Significant Deficiencies:

No material weaknesses in internal control over the major program were noted.

CITY OF STORM LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 Questionable Expenditures - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.
- IV-D-09 Business Transactions - No business transactions were noted between the City and city officials or employees.
- IV-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-09 Deposits and Investments - No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted, except that we noted the investment policy had not been reviewed by the City Council in the past three years as required by the policy.

Recommendation - We recommend the City Council review the investment policy as required by the current policy.

Response - The investment policy was reviewed and approved at the January 18, 2010 City Council meeting.

Conclusion - Response accepted.

- IV-H-09 Revenue Note - The City has not complied with certain revenue capital loan note provisions. While the City has established the respective bond and interest sinking funds required by bond resolutions, balances maintained in certain funds as of June 30, 2009 were deficient by approximately \$42,000 due to insufficient transfers to the funds.

Recommendation - The City should make transfers to the applicable bond and interest sinking funds necessary to bring the balances into compliance with bond resolution requirements.

Response - We will make the necessary transfers to the respective bond and interest sinking funds to bring them into compliance.

Conclusion - Response accepted.